



State of Wisconsin
Department of Financial Institutions

Jim Doyle, Governor

Lorrie Keating Heinemann, Secretary

ASSEMBLY FINANCIAL INSTITUTIONS COMMITTEE

Testimony of Michael J. Mach
Administrator, Division of Banking
February 24, 2010

Chairman Fields and members of the Committee, thank you for the opportunity to testify on AB 765.

On July 30, 2008, Congress Passed the Secure and Fair Enforcement for Mortgage Licensing Act of 2008, known as the SAFE Act. The SAFE Act is designed to enhance consumer protection and reduce fraud by requiring states to establish minimum standards for the licensing and registration for state-licensed mortgage loan originators.

Wisconsin adopted a law to address the requirements of the federal safe act with the passage of 2009 Act 2 in February 2009.

One of the requirements of the federal SAFE Act is that the U.S. Department of Housing and Urban Development ("HUD") must determine that laws of the states meet the requirements of the federal law. HUD has reviewed our state law as currently enacted for compliance with the SAFE Act.

HUD has found our state law to be in compliance, with one exception. Under current law the Department of Veterans is exempt for licensing. HUD has found this exemption to be in noncompliance with the provisions of the SAFE Act.

AB 765 eliminates this exemption and brings our state law into full compliance with the SAFE Act. We support your efforts to bring our state law into full compliance with the SAFE Act and encourage your favorable consideration.

Division of Banking

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February 23, 2010

Assembly Committee on Financial Institutions
Representative Jason Fields, Chair
P.O. Box 8952
Madison, WI 53708

Dear Chairman Fields,

On behalf of the Wisconsin Mortgage Professionals Association, I would like to personally offer my support of Assembly Bill 765 as it relates to licensing requirements for mortgage brokers and mortgage bankers under the Nationwide Mortgage Licensing System.

As the bill states, In 2009 Wisconsin Act 2 (Act 2), provisions of the federal Secure and Fair Enforcement for Mortgage Licensing (S.A.F.E.) Act of 2008 were adopted into state law, including changes related to minimum net worth and bonding amounts for mortgage bankers and mortgage brokers. Current law after the passage of Act 2 requires an applicant for a mortgage banker license to file with the division a bond in the amount of \$300,000 to secure the applicant's faithful performance of duties and obligations and must submit evidence of a minimum net worth of \$250,000. An applicant for a mortgage broker license must file with the division a bond in the amount of \$120,000 to secure the applicant's faithful performance of duties and obligations and must submit evidence of minimum net worth of \$100,000.

Assembly Bill 765 reduces these amounts and allows for a much fairer assessment of net worth and bond requirements for mortgage brokers and mortgage bankers, while still keeping Wisconsin's requirements in line with or exceeding the rest of the country. The bill would reduce the amount of net worth required and tier the amounts needed for the bond requirements, thereby applying a more reasonable standard for companies; some who may operate as a sole proprietor and some who may have numerous loan originators working for their company. During these tough economic times and a very credit-crunched market, it has become increasingly difficult for us as small business owners to make a profit and maintain cash flow, as well as keep the amount of loan availability open to consumers. For those who have been able to keep themselves afloat as mortgage brokers and mortgage bankers, AB 765 would help dramatically by offering fairness in

the current licensing system, while still having the necessary restrictions in place to ensure that only those with sound business viability will be offering mortgage products to consumers.

I encourage all members of the committee to support this legislation and allow an opportunity for those licensed as mortgage brokers and mortgage bankers to continue aiding consumers in the financing of their homes.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Daniel O'Brien", written in a cursive style.

Daniel O'Brien
Vice President, Wisconsin Mortgage Professionals Association
President, Educated Mortgage Services

Company Financial Statement & Net Worth Requirements by Jurisdiction

- SUMMARY TABLE FOR GUIDANCE INFORMATION ONLY -

NEW APPLICANTS: PLEASE VERIFY YOU HAVE MET ALL FINANCIAL STATEMENT REQUIREMENTS AS STATED IN THE NEW APPLICANT CHECKLIST ON THE STATE LICENSING RESOURCE PAGE.

EXISTING LICENSEES: VERIFY YOU HAVE MET THE ANNUAL REQUIREMENTS SUMMARIZED ON THIS TABLE. YOU SHOULD ALSO CONSULT YOUR JURISDICTION'S WEBSITE FOR DETAILED REQUIREMENTS. PLEASE CLICK ON THE STATE AGENCY ABBREVIATION IN THIS TABLE TO GO TO THAT WEBSITE.

THIS TABLE DOES NOT ADDRESS WHETHER OR NOT PERSONAL FINANCIAL STATEMENTS FOR MU2/MU4 LICENSES ARE REQUIRED.

STATE AGENCY	LICENSE TYPE	NEW APPLICANTS	ANNUAL	NET WORTH
<u>AK</u>	Mortgage Broker/Lender License	Unaudited	Unaudited	-
<u>AL</u>	Consumer Credit License	Unaudited-Compiled	None	-
	Mortgage Brokers License	Unaudited-Compiled	None	-
<u>AZ</u>	Mortgage Banker License	Audited	Audited	\$250,000
	Mortgage Broker License	Unaudited	-	Positive
	Commercial Mortgage Banker License	Audited	Audited	\$100,000
	Commercial Mortgage Broker License	Unaudited-Compiled	Unaudited-Compiled	Positive
<u>AR</u>	Mortgage Banker License	Audited	Audited	\$25,000
	Mortgage Broker License	Unaudited	Unaudited	\$25,000
	Mortgage Servicer License	Audited	Audited	\$25,000
	Combination Mortgage Banker-Broker Servicer License	Audited	Audited	\$25,000
<u>CA-DOC</u>	Residential Mortgage Lending Act License	Audited	Audited	\$250,000
	Finance Lenders Law License	Unaudited	Unaudited	\$250,000
<u>CT</u>	Mortgage Broker License	Audited or Unaudited if certified by firm officer	Audited or Unaudited if certified by firm officer	\$50,000
	Mortgage Correspondent Lender License	Audited or Unaudited if certified by firm officer	Audited or Unaudited if certified by firm officer	\$50,000

NATIONWIDE MORTGAGE LICENSING SYSTEM

STATE AGENCY	LICENSE TYPE	NEW APPLICANTS	ANNUAL	NET WORTH
	Mortgage Lender License	Audited or Unaudited if certified by firm officer	Audited or Unaudited if certified by firm officer	\$250,000
<u>DC</u>	Mortgage Lender License	Unaudited	Unaudited	\$200,000
	Mortgage Broker License	Unaudited	Unaudited	\$25,000
	Mortgage Dual Authority License	Unaudited	Unaudited	\$225,000
<u>GA</u>	Mortgage Broker/Processor Registration	Audited or Unaudited if Audited not available	-	-
	Mortgage Broker/Processor License	Audited or Unaudited if Audited not available	-	-
	Mortgage Lender Registration	Audited or Unaudited if Audited not available	-	-
	Mortgage Lender License	Audited or Unaudited if Audited not available	-	-
<u>ID</u>	Mortgage Broker/Lender License	Unaudited certified by executive officer	Unaudited certified by executive officer	-
<u>IN-DFI</u>	First Lien Mortgage Lending License	Audited or Unaudited-Reviewed	-	\$100,000/\$50,000 liquid
	Subordinate Lien Mortgage Lending License	Audited or Unaudited-Reviewed	-	\$100,000/\$50,000 liquid
<u>IN-SOS</u>	Loan Broker License	-	-	-
<u>IL</u>	Residential Mortgage License	Audited	Unaudited (compiled)	Positive
<u>IA</u>	Mortgage Banker License	Audited or Unaudited if certified by executive officer	Audited	Positive
	Mortgage Banker Registrant	-	-	Positive
	Mortgage Broker License	Audited or Unaudited if certified by executive officer	Unaudited	Positive
	Non-Profit Mortgage Banker License	-	-	Positive
<u>KS</u>	Mortgage Company License	Unaudited – Reviewed	Unaudited – Reviewed	-
	Supervised Loan License	Unaudited – Reviewed	Unaudited – Reviewed	-

NATIONWIDE MORTGAGE LICENSING SYSTEM

<u>KY</u>	Mortgage Broker License	Unaudited-Compiled	-	-
	Mortgage Company License	Audited or Unaudited-Reviewed	-	\$1,000,000 (varies on volume)
<u>LA</u>	Residential Mortgage Lending License	Audited	Audited	\$50,000
<u>MA</u>	Mortgage Broker License	Audited or Unaudited-Reviewed	Audited or Unaudited-Reviewed	\$25,000
	Mortgage Lender License	Audited	Audited	\$200,000
<u>MD</u>	Mortgage Lender License	Audited, compiled or reviewed	Audited, compiled or reviewed	\$25,000 (varies on volume)
<u>MI</u>	Exempt Mortgage Company Registration	-	-	-
	1st Mortgage Broker License	Unaudited	Unaudited	\$25,000
	1st Mortgage Broker/Lender License	Unaudited	Unaudited	\$25,000
	1st Mortgage Broker/Lender/Service License	Unaudited	Unaudited	\$100,000
	1st Mortgage Broker Registrant	Unaudited	Unaudited	-
	1st Mortgage Broker/Lender Registrant	Unaudited	Unaudited	-
	1st Mortgage Broker/Lender/Service Registrant	Unaudited	Unaudited	-
	2nd Mortgage Broker License	Unaudited	Unaudited	\$25,000
	2nd Mortgage Broker/Lender License	Unaudited	Unaudited	\$25,000
	2nd Mortgage Broker/Lender/Service License	Unaudited	Unaudited	\$100,000
	2nd Mortgage Broker Registrant	Unaudited	Unaudited	-
	2nd Mortgage Broker/Lender Registrant	Unaudited	Unaudited	-
	2nd Mortgage Broker/Lender/Service Registrant	Unaudited	Unaudited	-
	Consumer Financial Services Class I License	Unaudited	Unaudited	\$100,000
	Consumer Financial Services Class II License	Unaudited	Unaudited	\$50,000
<u>MS</u>	Mortgage Broker License	-	-	-
	Mortgage Lender License	-	-	-
	Notification Statement Registration	-	-	-

NATIONWIDE MORTGAGE LICENSING SYSTEM

<u>MT</u>	Exempt Company Registration	-	-	-
	Mortgage Lender License	-	-	-
	Mortgage Broker License	-	-	\$250,000 (varies on volume)
<u>ND</u>	Money Broker License	Unaudited	Unaudited	-
<u>NE</u>	Mortgage Banker Registration	-	-	-
	Installment Loan Company	-	-	-
<u>NH</u>	Mortgage Banker License	Audited or Unaudited if certified by CFO	Audited or Unaudited if certified by CFO	Positive
	Mortgage Broker License	Audited or Unaudited if certified by CFO	Audited or Unaudited if certified by CFO	Positive
	Mortgage Servicer Registration	Audited or Unaudited if certified by CFO	Audited or Unaudited if certified by CFO	Positive
<u>NM</u>	Mortgage Loan Company	Unaudited	Unaudited	-
<u>NJ</u>	Residential Mortgage Lender License	Audited	-	\$250,000
	Correspondent Residential Mortgage Lender License	Audited	-	\$150,000
	Residential Mortgage Broker License	Audited	-	\$50,000
<u>NY</u>	Mortgage Banker License	Audited	Audited	\$250,000
	Mortgage Broker Registration	-	-	-
	Mortgage Loan Servicer Registration	Audited	Audited	\$250,000
<u>NC</u>	Affiliated Mortgage Banker License	Audited	Audited	\$100,000,000
	Mortgage Broker License	Unaudited	Unaudited	\$25,000
	Mortgage Lender License	Audited	Audited	\$100,000
	Mortgage Servicer License	Audited	Audited	\$100,000
<u>OH</u>	Mortgage Broker Act Certificate of Registration	-	-	-
	Mortgage Loan Act Certificate of Registration	Unaudited	Unaudited	\$50,000
	Mortgage Broker Act Mortgage Banker Exemption	-	-	-
	Mortgage Broker Act Credit Union Service Organization Exemption	-	-	-

NATIONWIDE MORTGAGE LICENSING SYSTEM

	Mortgage Loan Act Credit Union Service Organization Exemption	-	-	-
<u>OK</u>	Mortgage Broker License	Unaudited	-	-
<u>OR</u>	Mortgage Lending License	Unaudited	Unaudited	-
	Exempt Company Registration	Unaudited	Unaudited	-
<u>PA</u>	Mortgage Loan Correspondent License	Audited	Audited	\$100,000
	Mortgage Consumer Discount Company License	Audited	Audited	\$250,000
	Mortgage Lender License	Audited	Audited	\$250,000
	Partially Exempt Mortgage Company Registration	-	-	-
	Mortgage Broker License	-	-	-
<u>PR</u>	Mortgage Lender/Service	Unaudited-Reviewed	Audited	\$500,000/\$250,000 liquid
	Mortgage Broker	Unaudited-Compiled	Unaudited-Compiled	\$10,000 liquid
<u>RI</u>	Lender License	Unaudited-Compiled	Unaudited-Compiled	\$100,000
	Loan Broker License	Unaudited-Compiled	Unaudited-Compiled	\$10,000
<u>SC-BFI</u>	Mortgage Lender/Service License	Unaudited	Unaudited	Bond Required
<u>SC-DCA</u>	Mortgage Broker License	Unaudited	-	Positive
<u>SD</u>	Mortgage Lender	Audited or Unaudited if certified by executive officer	Audited or Unaudited if certified by executive officer	-
<u>TN</u>	Mortgage License	Unaudited-Compiled	Unaudited-Compiled	\$25,000
	Mortgage Registration	Audited	Audited	\$25,000
<u>UT-DRE</u>	Mortgage Lender Company License	-	-	-
<u>VT</u>	Mortgage Broker License	Audited or Unaudited if certified by executive officer	Audited or Unaudited if certified by executive officer	-
	Lender License	Audited or Unaudited if certified by executive officer	Audited or Unaudited if certified by	-

NATIONWIDE MORTGAGE LICENSING SYSTEM

			executive officer	
<u>WA</u>	Consumer Loan Company License	Unaudited	Unaudited	-
	Mortgage Broker License	-	-	-
<u>WI</u>	Mortgage Banker License	Unaudited (reviewed)	Audited	\$250,000
	Mortgage Broker License	Unaudited (reviewed)	Audited	\$100,000
<u>WV</u>	Exempt Company Registration	-	-	-
	Mortgage Lender License	Unaudited	Unaudited	\$250,000
	Mortgage Broker License	Unaudited	Unaudited	\$10,000
<u>WY</u>	Mortgage Broker License	Unaudited	-	-
	Mortgage Lender/Broker License	Unaudited	-	-

****PLEASE CONTINUE TO CONSULT JURISDICTION REQUIREMENTS FOR MORE DETAILED INFORMATION – THIS TABLE IS MEANT FOR SUMMARY PURPOSES ONLY****